



Iowa Small Business
Development Centers

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Dear Committee Member:

The Iowa Small Business Development Center is the only accredited business counseling organization in Iowa. In 2008, our fifteen regional service centers provided over 13,000 hours of counseling to 2238 clients. Those clients added or retained 1035 jobs and raised over \$76 million of new capital.

Our total budget for fiscal 2009, excluding special federal allocations for disaster recovery, is \$2,407,542. Of that amount, \$1,060,000 comes from the state's general fund and \$350,000 from the Grow Iowa Values Fund. The balance comes from the United States Small Business Administration. Federal funds must be matched at a 1:1 ratio, not less than 50% of which must be in cash.

The following describes in general terms how the total FY2009 budget of \$2,407,542 is allocated.

Field service centers (for counseling and training)	\$1,829,021	76%
Consolidated field support services ¹	\$155,716	6%
Administrative and host indirect costs	\$422,805	18%
Total	<u>\$2,407,542</u>	100%

The legislature appropriated an additional \$160,000 for this year's budget over the preceding year's appropriation. By adding \$54,000 in savings from reorganization at the lead center in Ames, we were able to increase the funding for the field service centers by \$214,000 over FY2008. The Iowa Small Business Development Center has a benefit-to-cost ratio of \$5.41 in new income and sales taxes for every tax dollar spent on counseling services. Center clients raise \$10.98 in financing for their businesses for every tax dollar spent on the program. The 2008 Iowa Accreditation Report from the Association of Small Business Development Centers contains the following recommendation from the accreditation team:

“Given the current structure of having 15 individual centers, the State Director should actively work with the state of Iowa or other potential financial stakeholders to increase the funding to allow the centers to hire additional staff for the current 15 centers to provide more direct client services. Increased funding will provide the opportunity for the network to increase services and the economic impact to the state of Iowa.”

¹ Consolidated field support services are services provided by the lead center that confer a direct benefit to the field service centers, relieving them of time and expenses the service centers would otherwise incur.

Small business needs caused by the tornado and flooding of 2008 threatened to overwhelm the Development Center's FY2009 budget. After intensive negotiations initiated by the lead center in Ames, we were able to secure additional federal funds to assist with disaster recovery. These funds have been allocated to the six regional service centers most affected by the disasters, to hire additional counselors to assist with disaster recovery for small businesses. This extra funding can be utilized only for disaster recovery. However, these additional monies have allowed us to continue providing our regular complement of services at a time when they are most needed by small businesses in Iowa.

The constraints being experienced in the credit markets are impacting Iowa small businesses severely. In the last half of calendar year 2008, our counseling time spent with existing businesses increased 35% over the same period in 2007. In those areas affected by the tornado and flooding, counseling time for existing businesses increased 47%. Small businesses in Iowa are seeking our help for more problems, and more complex problems, than they do in a typical economic environment. Notwithstanding the banking community's claims of having money available to lend, credit standards have tightened significantly. Even businesses with good credit histories are being denied loans that would have been readily approved only one year ago. It is virtually impossible to predict how long the current economic climate will last, but for the time being, a good deal of Iowa small business is operating in "survival mode".

In spite of the current challenges to the small business community, many small businesses are thriving, and many of those are our clients. Included in your packet of materials are stories of representative clients assisted by the Iowa Small Business Development Centers in the last two years. Our clients run the gamut from main street florists to cancer vaccine developers to major software innovators. Along with agriculture, they are the heart and soul of the Iowa economy. The Iowa Small Business Development Centers are proud to be a service provider to this crucial segment of the state's economy. We thank the Legislature for its continued support of this vital program.

Respectfully yours,

IOWA SMALL BUSINESS DEVELOPMENT CENTERS



Jim Heckmann, State Director

JH/dd

Enclosures

Representative Client Stories

From the Iowa Small Business Development Centers

The following client stories represent the kinds of services provided by the Iowa Small Business Development Centers in 2008 and 2009.

Three days after the tornado struck Parkersburg, the Small Business Development Center hosted a town meeting attended by 60 residents. Representatives from FEMA, SBA and USDA were present to discuss disaster resources available to immediately expedite the recovery process. A week later, the Small Business Development Center set up a tent in the middle of the disaster zone staffed by professional business counselors offering technical assistance and support to Parkersburg businesses. Out of the fifteen businesses that were destroyed by the tornado, eight have reopened and four more are currently under construction. **University of Northern Iowa Small Business Development Center, Waterloo.**

This main street floor covering business in a small rural town was purchased from retiring owners by a young couple who relocated from an urban area. The new owners had not previously owned or operated a business. The Small Business Development Center helped them in the following ways: develop an accounting system; provided training on how to read and understand their monthly financial statements; develop and implement standard operating procedures for the retail store, including installation subcontractors and warehouse operations; develop and implement plans for growing the business and opening new stores in other small rural towns. In the first year the young couple doubled the previous owners' annual sales. They also opened a new retail store in a vacant retail building in another small rural town that did not have a floor covering store. **South Central Iowa Small Business Development Center, Creston.**

A 42-year-old family business added a food products division to distribute eighty product lines to grocery stores. Flooding caused physical damage and economic loss to the business. The Small Business Development Center assisted the client with an SBA disaster loan application, assisted negotiations with the business' bank loan officer, and helped the business pursue Iowa Jump Start funds, resulting in a \$43,000 loan from the SBA, a \$123,000 bank line of credit, and \$20,500 in Iowa Jump Start funds. Our assistance helped preserve thirty-five jobs and allowed the food products division to continue in business. The business continues to work on a strategic growth plan with the Small Business Development Center. **Mid Iowa Small Business Development Center, Urbandale.**

This architectural sign company specializes in the design, manufacturing, and management of wayfinding, brand communication, and information management solutions throughout the United States, Canada, Mexico and South America. The owner called the Small Business

Development Center for advice about buying an affiliate in Chicago, which would increase jobs at a centralized manufacturing facility in Grinnell. Pro forma financials were developed by the Center to help find the optimal financing structure. The purchase was completed and the company continues to grow as it develops the Chicago market. Economic impact of the purchase includes: an increase of \$1 million in annual sales; seven additional non-manufacturing jobs in Iowa, with a projected additional seven jobs within three years; an additional 15 manufacturing positions now, with 35 to 40 more positions within three years. Seventeen employees remain in Chicago selling and installing products now produced in Iowa. The owners used \$250,000 in owner's equity, a CEBA grant, and seller financing to acquire the business. **University of Iowa Small Business Development Center, Iowa City.**

In February 2006 this client wanted to expand by providing out-sourced solutions to a major company in Missouri. The client needed a business plan and financial projections to secure additional financing and to show its new major customer that it had the capacity and personnel to perform and deliver the products in a timely fashion. Combining additional private investment, local revolving loan funds, and bank financing, the Small Business Development Center helped the company secure over \$250,000 for expansion, which created 5 new jobs and increased sales to \$2,000,000. The client came back to the Small Business Development Center for assistance in the creation of a new business that is currently manufacturing a patented product that will provide additional security in the streets of many communities across the United States. Assistance included a business plan, financial projections and discussions with the various financial sources. Funding of over \$350,000 was approved in November 2008 and the company invested \$300,000. Five new jobs were created in Northwest Iowa. On February 4, 2009 the client again requested assistance to help find funding sources to add three products for fabrication and assembly, for the same company in Missouri, which should create 6 new jobs and projected sales of \$700,000 the first year of production. **Northwest Iowa Small Business Development Center, Spencer.**

This company develops educational content for a web-based business sold to elementary schools throughout the United States. The Small Business Development Center has assisted the owner since the inception of the company and helped the company with securing over \$400,000 in capital for development, protecting its intellectual property, and developing a marketing plan. The Small Business Development Center is now assisting the company in securing an additional \$1 million for further development of the company's product. **Eastern Iowa Small Business Development Center, Davenport.**

An aluminum extrusion manufacturer employing 25 people came to the Small Business Development Center to receive help on pricing because the Center had previously helped him both start his business and expand it. The Small Business Development Center helped the client develop a new competitive pricing model and worked with the company's accountant, to be sure that the accountant was using the correct fixed cost figures. **Indian Hills Small Business Development Center, Ottumwa.**

This company develops control systems for hypersonic vehicles and recently won a \$2.1 million SBIR award from NASA. In addition to providing traditional services involving operations, the Small Business Development Center played an instrumental role in negotiating the difficult dissolution of a previous business relationship in a manner that preserved critical intellectual property for the company. The Center continues to provide services to the company as needed.

Iowa State University Small Business Development Center, Ames.

This business consults, fabricates, and engineers food processing and food packaging machines. The Small Business Development Center assisted the business in securing a \$200,000 commercial loan, which helped create 4 full-time jobs. **Western Iowa Tech Small Business Development Center, Sioux City.**

A medical service provider in Northeast Iowa has been assisted by the Small Business Development Center since it opened in 2006. Most recently the Center helped it with a business expansion in 2008. The Center assisted the client in putting together a bank/SBA loan package that allowed them to purchase a building, support build-out costs, and hire four more practitioners. The Small Business Development Center worked extensively on the company's cash flow projections, which demonstrated the company's ability to service its new debt structure. A loan was approved for approximately \$900,000 and the company has increased payroll by \$225,000 with the addition of 4 new employees. **Northeast Iowa Small Business Development Center, Dubuque.**

This minority-owned business came to the Small Business Development Center to get started and now has grown into a substantial home care business. The company's mission is to serve individuals and families with a wide variety of medical and non-medical in-home care and/or service to individuals who desire assistance. Staff consists of home care professionals working together to design appropriate, coordinated plans of care and duty services. Their services are categorized under four general headings: Daily Living Assistance & Senior Services; Personal Concierge; Homemaker's Services; Parent's Helper. Subjects that the Small Business Development Center helped the client with included partnership agreements, employee regulations, independent contractor agreements, and financing. **University of Iowa Small Business Development Center, Iowa City.**

This company, which markets products to the agriculture community, has worked with the Small Business Development Center since it was first formed. With our assistance the clients have developed a comprehensive business plan. Recently the company sought major funding to acquire a complementary business and used the Small Business Development Center to assess the viability and help prepare funding requests. The core business expanded their sales staff by 6 plus added a national sales manager in 2008 with average annual income levels of \$60,000. The acquisition currently being consummated will result in further job increases. The company also utilizes training classes offered by the Small Business Development Center. **North Iowa Area Small Business Development Center, Mason City.**

This client invented a road construction tool for paving preparation. A business was formed to manufacture and distribute this new tool to all paving companies using rebar baskets in the paving process. The Small Business Development Center helped the client write the new company's business plan and create marketing materials, including a promotional video for marketing and sales distribution. **Western Iowa Tech Small Business Development Center, Sioux City.**

This client's existing business is currently in a Chapter 11 bankruptcy and the Small Business Development Center has put in extra time working with the client to determine if the business can achieve a positive cash flow. In cooperation with the SBA, the Small Business Development Center is analyzing the market, the company's financials—both historical and projected—and will be meeting with a banker to deliver a proposal. Like many businesses that are struggling with the economic downturn, the company has run into stumbling blocks at every turn. The Small Business Development Center was the first organization to take the client seriously and work towards a solution. The business currently has 5 employees and is restructuring \$175,000 in debt. **North Central Iowa Small Business Development Center, Fort Dodge.**

This publishing business came to the Small Business Development Center for business plan development and financial structuring and continues to use the Center's resources. The company has over 4,000 weekly readers. It provides small business news to several counties in Eastern Iowa and also sponsors several events that foster cooperation and communication among area businesses. The company has grown from 4 to 16 full-time employees since it began four years ago and its President currently sits on this center's Advisory Board. **University of Iowa Small Business Development Center, Iowa City.**

This large venue reception hall is located in rural Southwest Iowa. The business opened in the summer of 2007 and hosted over 50 weddings in its first full summer of operation. The Small Business Development Center has worked with the owners since early 2006, helping them through the process of writing a business plan, putting a financial package together, and assisting with business development. As a result the owners secured \$700,000 in loans and proceeded to build a 15,000 square foot building. By the end of 2008, the company's annual gross income was over \$300,000. Sales were projected to at least double in 2008, but a fire totaled the business in late 2008. The Small Business Development Center helped the clients recover financial information and assemble inventory lists to submit to the insurance company. The business is rebuilding and is slated to reopen in 2009. The owners project that they will be employing 10 to 15 full- and part-time employees during 2009. **Iowa Western Small Business Development Center, Council Bluffs.**

Growth outstripped the available cash for this 15-year-old Mexican grocery store/restaurant. The Small Business Development Center helped the client transition from keeping books using a shoe box to working with an accountant and QuickBooks. The business was able to build a budget and, by better managing cash flow, was able to restructure its debt obligations. In the past the client relied totally upon the local Hispanic population for its business. The Small Business Development Center worked with the client to translate its restaurant menu from

Spanish to English. In addition, the area where the grocery store is located is experiencing a housing boom, so the store started to stock regular grocery staples like milk, bread and frozen pizzas. Over the past six months the business has grown sales by 13% and 60% of the client base is now made up of non-Hispanic patrons. **University of Northern Iowa Small Business Development Center, Waterloo.**

This service-based business has been an icon in Burlington for over 30 years. The owner wished to retire, so the Small Business Development Center worked with one of the owner's employees to develop a business plan and pro forma financials. These were then used to secure an acquisition loan for the employee to purchase the business, retaining eight jobs. **Southeastern Small Business Development Center, Burlington.**

This software start-up firm was dubbed by a leading engineering trade journal, *The Google of CAD*. Based on an algorithm developed in the ISU College of Engineering, the company created a search engine that allows manufacturers and others to efficiently search their parts databases. While this provides some convenience for engineers, the real value is in eliminating part redundancies, saving millions of dollars in unnecessary design, testing, and inventory carrying costs. The Small Business Development Center assisted the company from its inception in 2004 in many ways, including concept validation, market research, licensing, business plan development, equity fundraising, and other operational challenges, and continues to consult with the company on a regular basis. **Iowa State University Small Business Development Center, Ames.**

This client purchased controlling interest in a grain elevator and seeks additional funding to build a new silo and modernize all processes. The Small Business Development Center assisted the client in securing \$373,000 in private funding and is assisting with an \$850,000 loan application for additions and renovations. This project retained 14 full-time and 3 part-time jobs, and will create 5 new full-time positions. **Western Iowa Tech Small Business Development Center, Sioux City.**

This client provides technical assistance to owners of aircraft of various makes and models. The company was experiencing good growth and needed more room and technicians to adequately service its customers. The Small Business Development Center assisted the client in the preparation of a business plan and financial projections, and in discussions with various lending institutions. Over \$600,000 of financing was secured by the company to construct a new building that would provide the needed room to perform increased services. The company immediately hired one additional technician and has plans to add two more in the next three years. **Northwest Iowa Small Business Development Center, Spencer.**

The owner of this company previously worked for a large Canadian company. Using the knowledge she gained from her former employer, the client started a business in a small eastern Iowa town that designs fabrics and has them printed overseas. The fabrics are then shipped to the USA to be put on bolts and distributed to fabric stores and hobby stores. The owner came to the Small Business Development Center for help in obtaining a \$300,000 loan

and line of credit to open her own business. **University of Iowa Small Business Development Center, Iowa City.**

This manufacturer of after-market auto parts sought assistance in restructuring financing to increase cash flow after sales and inventory problems threatened the business. The Small Business Development Center assisted the bank in putting together an SBA loan application to restructure company debt and allow for a line of credit for future cash needs. Fifty-six (56) jobs have been secured as a result of this refinancing. **Eastern Iowa Small Business Development Center, Davenport.**

This manufacturer and retail establishment in a small rural town had been in business for over 25 years. They were referred to the Small Business Development Center by their banker, who was concerned about their financial condition and ability to service their debt. We conducted an analysis of their past financial statements to develop trends and worked with them on understanding what those trends were showing. We also helped them understand the need to make significant changes in how they do business. With assistance from the Small Business Development Center, they restructured their bank debt, improved their accounting system, and are implementing inventory control procedures, cash flow management policies, and reducing labor costs. This long-time business is continuing operations, retaining 8 jobs. **South Central Iowa Small Business Development Center, Creston.**

This company services all types of cell phones from any carrier. They purchase broken phones, repair them, and then sell the used phones. The Small Business Development Center assisted the company in securing a \$15,000 line of credit, which created three new full-time jobs. **Western Iowa Tech Small Business Development Center, Sioux City.**

Flooding displaced this small manufacturer of commercial cabinetry in June. The Small Business Development Center assisted the client in applying for an SBA disaster loan for \$50,000 and for Jump Start funding. The client moved its operations to a new location, and was back in operation in six weeks. Using the disaster funding, the client was able to retain six full-time jobs. With the increase in operating space at its new location, the company was able to expand its production and hire an additional 2 employees. **Southeastern Small Business Development Center, Burlington.**

A 25-year-old family business had evolved into two divisions, one a supplier of products to the construction and trades businesses, and one a residential contractor. The client sought assistance in managing and controlling costs in order to stay in business. Utilizing five Small Business Development Center counselors to address this difficult challenge, a turn-around plan was devised to reduce business expenses, restructure loans, collect receivables, sell personal and business assets, find a strategy for selling real estate in a down economy and market, and become lean and efficient in every aspect of the business. This resulted in the company retaining 5 employees, borrowing \$475,000, and obtaining a \$75,000 line of credit to keep the business open. The strategy developed for reducing its inventory of residential construction is on schedule and has resulted in half of the inventory being sold, even in this down market. This

\$10.5 million business that might have been lost now has a good chance of survival. **Mid Iowa Small Business Development Center, Urbandale.**

An entrepreneur wanted to open a new millwork shop in Cedar Rapids and came to the Small Business Development Center for business planning, market planning guidance, and financial analysis. When his desired location was flooded out he was forced to find a new location. With the help of his banker and the Small Business Development Center, he found a new site in nearby Urbana where he could build to his exact specifications. He opened on a limited basis in October 2008 and had his grand opening in January 2009. Existing millworks in the area were working at capacity before the floods. Now the business cannot keep up with the demand created by the area's need to rebuild 20,000 homes and 750 businesses. Our client's entry into the market increases the availability of wood doors, trim, window sills, moldings, and more for disaster victims in the local area, speeding rebuilding and recovery efforts. **Kirkwood Small Business Development Center, Marion.**

This hair salon was flooded in 2008 and had to move several times this past summer before plans for a permanent location could be finalized. Working with the owner, her bank, and the city, the Small Business Development Center was able to assist the owner in finding a permanent location that would accommodate her own design. Funding was finalized and construction is now underway. The owner will have a grand opening at her new location in April 2009. **University of Iowa Small Business Development Center, Iowa City.**

This glass company specializes in windshield repair and replacement and residential window and door glass repair and replacement. The Small Business Development Center helped the company to secure a \$35,000 commercial loan to open the business, creating 3 full-time and 2 part-time jobs. **Western Iowa Tech Small Business Development Center, Sioux City.**

A newspaper and community shopper publishing company was flooded along with much of the rest of the downtown area of this eastern Iowa community and had to close for awhile. Because other businesses in the town also closed temporarily due to flooding, the client lost a significant amount of advertising revenue. The Small Business Development Center assisted the client in obtaining an SBA economic injury loan and helped it put together a bank refinancing package that allowed the client to continue operations and retain its four employees. **Northeast Iowa Small Business Development Center, Dubuque.**

A concrete construction worker wanted to start his own business. Unfortunately, he did not have the necessary down payment or credit history for a conventional bank loan. The Small Business Development Center helped him get a \$10,000 loan at 5% interest from the local county revolving loan fund. Since his start-up he has moved into a vacant building in the Ottumwa industrial park and employs eight workers during the construction season. He does concrete work locally and for Casey Stores in several states. **Indian Hills Small Business Development Center, Ottumwa.**

This client wanted to purchase a local hardware store in a small rural community. The client sought help from the Small Business Development Center to assist in the valuation of the assets to be purchased and to help secure the financing needed to complete the transaction. The client obtained an SBA-guaranteed loan of over \$450,000 to buy the business. Four full-time jobs and 2 part-time jobs were retained after the purchase and the client anticipates adding one more employee in the near future. **Northwest Iowa Small Business Development Center, Spencer.**

This young couple from a small rural community returned home after college to start their own art and photography studio. He is a nationally-recognized artist and she is an amateur photographer. The Small Business Development Center helped them focus on establishing realistic business goals. We also provided assistance in developing credible financial projections and helped them with their business loan application. They received bank financing, purchased and remodeled a vacant retail building, and opened their studio in a small rural community that did not have a similar business. **South Central Iowa Small Business Development Center, Creston.**

This company manufactures store front signage, window and door signage, business cards, flyers, mailers, vehicle logo and lettering, and free standing signage. The Small Business Development Center assisted the company in securing a \$57,000 commercial loan to fund the business, creating one full-time and 2 part-time jobs. **Western Iowa Tech Small Business Development Center, Sioux City.**

The co-owners of a small-town supper club, the only dine-in restaurant in the community, were affected indirectly by the Floods of 2008 and came to the Small Business Development Center for help. They had used personal credit cards for business debt and accumulated a large sum in trade accounts payables. Because their credit was damaged by their late payment record, a bank loan to refinance their debt was not possible in the short term. We worked with the owners to (1) restructure their credit-card debt to free up cash, and (2) use the cash to pay down their most critical trade debts. **Kirkwood Small Business Development Center, Marion.**

This business builds string basses and provides a full range of bass repair services. The shop is run out of the client's home and is currently backlogged with orders. The client came to the Small Business Development Center for assistance with operations and financing. Consumer financing for these expensive, high-end musical instruments was arranged through a local financial institution, and automated equipment was introduced into the production process to reduce waiting times and increase profitability. **University of Iowa Small Business Development Center, Iowa City.**

This contractor works with major projects in northern Iowa in the alternative fuel field as well as with manufacturers requiring certified union pipefitters and welders. The business experienced explosive growth in 2008, resulting in cash flow problems and the need for a larger line of credit to meet payroll and other expenses. The company's principals worked closely with the Small Business Development Center to draft a very comprehensive business plan, which

was helpful in securing significant credit lines to manage their growth. They have increased their employee base from 3 in 2007 to 15 at the end of 2008. The company's annual payroll is in excess of \$1,000,000. **North Iowa Area Small Business Development Center, Mason City.**

This retailer of storage systems sought assistance in updating its business plan and inventory management methods, and working through cash flow issues. The Small Business Development Center assisted with creating a plan for liquidation of obsolete inventory and a realignment of cash flow which, when presented to the bank, allowed for a complete restructure of debt. This company is now positioning itself to pursue government contracts and is reviewing expanding its product line. **Eastern Iowa Small Business Development Center, Davenport.**

The Small Business Development Center worked with this client to start a business in Carroll. After we helped her prepare a business plan and pro forma financials, the client obtained a bank loan that permitted her to open her business, creating five jobs. We continue to work with the client, showing her how to generate timely and accurate reports that analyze her company's financial position and help her monitor expenses. This has proven to be critical in the current economic climate. **North Central Iowa Small Business Development Center, Fort Dodge.**

This client sought assistance from the Small Business Development Center to purchase an existing franchise with multiple locations in Central Iowa. The Center counseled the client and worked with him to develop a business plan, obtained historical financials the client used to negotiate with the seller, and helped put together a proposed financing package for the purchase. The client succeeded in purchasing the franchise with a total capital investment of \$1.7 million, retaining thirty-six jobs in the process. The client is currently working with the Small Business Development Center to develop a new marketing strategy. **Mid Iowa Small Business Development Center, Urbandale.**

This client started a consignment shop specializing in women's clothing items. It also offers children and men's clothing, as well as children's toys. The business now employs 2 full-time and 4 part-time employees. The Small Business Development Center assisted the client in writing a business plan and projecting financial performance for a commercial loan application. **Western Iowa Tech Small Business Development Center, Sioux City.**

This established downtown retail store suffered economic losses from the recent floods. The owner was hesitant about borrowing money from a bank to get through its cash crunch and was not aware of the SBA's economic injury loans. The Small Business Development Center introduced the client to the SBA's flood disaster programs and encouraged him to apply. Center personnel also visited his store and offered to work with him until he got the business back on track. We are currently helping the client with budgeting and the paperwork involved with the applicable loan programs. **University of Iowa Small Business Development Center, Iowa City.**

This client wanted to start a gift and floral shop and came to the Small Business Development Center for assistance. The Center helped her write a business plan and package a loan proposal

for several banks. The business opened over 3 years ago and grew by at least 25% each year. In its second year the business grew too big for its facilities and needed to relocate to a larger space. The Small Business Development Center assisted the client to complete a new loan proposal for the expansion. Since opening, the business has grown from an owner-run shop to employing 5 additional full and part-time employees. **Iowa Western Small Business Development Center, Council Bluffs.**

These clients wanted to open their own photography studio so they could have more control of their future. The Small Business Development Center helped them understand how to monitor the financial position of their business and how to market their business to a changing clientele. The clients have since opened their store and have two full-time staff. They are changing the way photography is perceived in their area through their very creative marketing plan, and they have also found new markets to venture into. **North Central Iowa Small Business Development Center, Fort Dodge.**

A creamery making cheese opened in a rural area; one year later it was experiencing extreme challenges because sales had not reached a level sufficient to sustain the company. The client was having difficulty servicing its debt and sought assistance from the Small Business Development Center. With our help, the client initiated a new marketing and sales strategy that focused on upscale buyers, including grocery stores and restaurants, in a 150 mile radius of the company. In addition, we educated the client on how to create and keep accurate financial records that distinguished the production side from the processing side, so the company would be a more attractive candidate for financing. **Indian Hills Small Business Development Center, Ottumwa.**

This client is the premier florist in the area, providing beautiful flower arrangements, event consultation, home gardening and more. The operation was disrupted by the 2008 floods and the client had to run the business out of her home for awhile. The client worked with the Small Business Development Center on budgeting and gap financing, and used the Center as a sounding board. She did not miss a single event and is now back in her old location and much better prepared for any future disasters. As a result, the Center also learned different strategies that should be helpful to other area businesses. **University of Iowa Small Business Development Center, Iowa City.**

After the Flood

Iowa's Small Business Development Centers Respond to the Storms of 2008—and Prepare for Those to Come

Maybe the date should have told him something. But when Jim Heckmann took the reins of Iowa's Small Business Development Centers on September 11, 2007, he had no idea his job would be much different from his previous career.

For more than 20 years after law school at the University of Iowa, Heckmann practiced in Dubuque. He didn't do divorces; he didn't do criminal work or real estate. Instead, Jim Heckmann was a business attorney, specializing in acquisitions, mergers, divestitures, and such for firms large and small, both locally in Iowa and in the power centers of the east and west coasts.

Ask Heckmann and he'll tell you that it wasn't the litigation that got his juices flowing, but instead what he calls "preventative law"—in short, counseling business clients and helping them to arrange their affairs in a way to minimize the possibility that they might find themselves in court, dealing with what should have been a foreseeable disaster.

And so, in 2005, Jim Heckmann left his legal practice to hang his shingle as a business consultant. "The idea," Heckmann says, "was to get rid of that part of the law I didn't really like—litigation mostly—and keep the part I really enjoyed."

So when Heckmann arrived in Ames that September 11, he had no reason to assume anything other than a smooth transition into directing the SBDC's fifteen satellite offices statewide, dedicated to helping both new and existing small businesses learn the ropes and avoid the predictable pitfalls that swamp—and eventually finish—most small startups. And for his first eight months on the job, that's precisely what he did, until May 25, 2008.

'I could see daylight...'

A retired school superintendent, Virgil Goodrich serves as the part-time economic development director for Parkersburg, Iowa, a bedroom community of about 2,000 people 30 miles northwest of Cedar Falls/Waterloo.

The day before Memorial Day had been a fairly typical Sunday for Goodrich and his wife—church in the morning, nine holes of golf in the afternoon. The storm watches coming over the television that afternoon were typical as well for late spring in Iowa.

But May 25 would be anything but typical for Goodrich and the people of Parkersburg.

"At ten to five the lights went out and electricity went off," Goodrich recalls. "It was getting worse and worse, so we moved from our family room to the other side of the basement, where there were fewer windows. Then, about 7 or 8 minutes before the tornado hit, a young woman and her two small children came pounding on our back door, looking for shelter."

Goodrich didn't hesitate and, along with his wife, shepherded the woman and her children into their basement to brace for the storm.

"As it was blowing over," Goodrich says, "I knew we were in trouble—I could see daylight from the basement."

When Goodrich finally emerged from the basement he could see that his house, his neighbor's, and virtually every other structure in his neighborhood was gone. They couldn't find the young woman's car, so just walked for an hour, surveying the wrecked town. But as devastating as the wrecked homes and businesses were, there would be worse news: six Parkersburg residents perished in the tornado, along with two others just down the road in New Hartford.

“Ever since,” Goodrich reflects, “we’ve been picking up the pieces. We started to rebuild and clean up and move on.”

Record rainfalls, record floods

However, Parkersburg was not the end but only the beginning for Iowa—and for the SBDC and its new director. The storm that brought an EF5 tornado to Parkersburg and other Butler County residents was just one part of a vast system, the starting shot in a race to respond to a rolling tide of natural disasters unprecedented in Iowa history.

The Parkersburg tornado was accompanied by 4 to 6 inches of rain, causing flash flooding across a large swath of northeast Iowa. Continuing heavy rains would lash the state over the next month, sending the Iowa and Cedar Rivers and their smaller tributaries over their banks, breaching levees and inundating cities and small towns.

On June 8, the Iowa River passed flood stage at 22 feet (it would crest one week later at a record 31.5 feet), flooding Mason City in the north central part of the state—a portent of what was to come for communities downstream. By Wednesday, June 11, water began rising from the storm sewers in Cedar Rapids: by Friday morning, the Cedar River would also crest at 31.5 feet—20 feet above flood stage.

It wasn’t supposed to happen. Much of Iowa had already experienced what was then called a “100-year flood” in 1993; now, only 15 years later, some meteorologists were calling 2008 a “500-year flood.” And, in the face of increasingly unstable weather patterns attributed to global climate change, others were saying that such designations were increasingly meaningless.

Nancy Barta certainly wasn’t expecting it. The co-owner of the Saddle and Leather Shop in the Czech Village neighborhood of Cedar Rapids had done everything she was supposed to do. On Tuesday, June 10, she and her friends and family had sandbagged around the store. By Wednesday all of the stock—about \$750,000 worth—had been removed from the basement and raised at least two feet off the main level.

“Wednesday night at 9:30, I pulled up in front of the building with my brother-in-law,” Barta recalls. “We went down into the basement to see if water was backing up the floor drain—and it was.

“At 1:30 Thursday morning,” she continues, “the burglar alarm went off and water was waist-deep on the main floor, and I couldn’t get any closer than a block away. The current was so incredibly strong.”

Barta sighs, and adds, “We weren’t supposed to have any water.”

The director gets his feet wet, hands dirty

Heckmann, meanwhile, was dealing not only with Barta’s issues but his own. He made inspection tours to Cedar Rapids and Oakville, Wapello and hard-hit areas near his former home in Dubuque. He consulted colleagues who had earlier helped clients after Hurricane Katrina and the EF5 tornado that had demolished Greenburg, Kansas in 2007. He was on the phone constantly to his regional directors, getting reports from the front lines and asking them what they needed to service their clients.

“We talked about it at length,” Heckmann says, “and began to realize that we were not going to be able to handle the needs of small businesses for the kinds of work that we do with the current resources we have.”

The SBDC, after all, was in the “business counseling” business, *not* disaster recovery. *Heckmann* was in the business counseling business. His and the centers’ job was to help small businessmen and women with business plans, marketing, financing, and other routine startup and operational issues, not with shops reduced to piles of debris or inventory swimming in five feet of water.

Still, Heckmann says, being only a fair-weather friend to small businesses was never an option: for many of their clients, the SBDC was the only ally they would have over the long haul. And it wasn’t exactly as if Heckmann or his area directors were themselves immune from disaster.

Pre-release copy of an article that will be in the Spring 2009 *Prospectus* magazine that is sent to all Iowa State University College of Business Faculty, Staff and Alumni.

“I was on the phone that Friday with my directors and the SBA district director, Joe Folsom, whose office is in the federal building in Des Moines, two blocks from where I live,” Heckmann recalls. “In the middle of the call, Joe says, ‘Jim, I don’t mean to interrupt, but they just issued a voluntary evacuation order for our neighborhood down here.’”

Heckmann raced home from Ames to spend the rest of the day sandbagging downtown Des Moines with hundreds of other volunteers. Yet while the waters circling his home reached street level, they didn’t top the levee at the Grand Ave. bridge for the simple reason that, early the next morning, the levee protecting the Birdland neighborhood two miles upstream broke, flooding the area’s modest homes and small businesses, thus sparing downtown Des Moines.

“We were lucky because somebody else was unlucky,” Heckmann acknowledges.

If he didn’t know it before, he surely did then: the times required him be more than just a “business counselor,” and the SBDC to be more than just a fair-weather friend.

When demand exceeds resources

Even if Heckmann hadn’t yet fully empathized with the plight of the SBDC’s clients in eastern Iowa, the rising floodwaters in Des Moines drove the urgency of the moment home to him—literally. Yet it was not simply a question of empathy but resources: how, in the face of disaster, could the SBDC fulfill a mandate to serve beyond its core mission? A mandate that increased daily with the spread of the floodwaters, but would only remain—and even grow—long after those waters had receded?

“It became clear we were going to have a demand on SBDC services that exceeded what we could handle with the resources we had,” Heckmann remarks.

As a relative newcomer, Heckmann wasn’t even aware at the time of the disaster assistance programs of the Small Business Administration, SBDC’s parent organization. So regional SBA director Folsom took it upon himself to educate Heckmann, who in turn would bring his regional directors up to speed. It was obvious they would need additional counselors: Dubuque, Waverly, Iowa City-Coralville, Burlington, and especially Cedar Rapids were all in need of emergency assistance.

But that meant money. Heckmann told his directors to put together a month-by-month budget for the next three years. After the numbers were crunched, he determined that the Iowa SBDC would need a minimum of \$1.8 million to support small businesses stricken by the floods and tornados, so got on the phone to SBA in Washington.

“They told me that they had only \$200,000 in unobligated funds,” Heckmann says. “And the hurricane season hadn’t even hit yet.”

Undeterred, Heckmann and Folsom lobbied Iowa’s Congressional delegation for support through federal emergency relief funds, and by August Congress had committed no less than \$10 million nationwide for small business disaster recovery. With a \$458,000 allocation of emergency funds from the SBA until the federal monies were actually appropriated, Heckmann and the SBDC went to work.

Off the scaffold and into the flood

Steve Sprague, who had served as director of the Kirkwood SBDC office in Cedar Rapids for twelve years, had barely been retired half a year when he got the call in July.

“I had a lot of connections in the community and had worked with a great number of businesses over those twelve years,” Sprague observes. “And I was familiar with the paperwork for people receiving commercial loans and aware of the SBA loan programs. So it was a matter of coming down off the scaffold on the side of my house and learning the requirements for the disaster loan programs.”

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Through a happy coincidence, Sprague was able to hit the ground running when he came off his scaffold: in 2007, just before he retired, he and his fellow SBDC directors had gone through disaster recovery training with the Department of Homeland Security, as had all Iowa SBDC directors in 2007. “So I had a little inkling of what we were going to be looking at,” he says. “It was just the scope of it that was—and still is—overwhelming.”

Sprague would dive headfirst into a service model radically different from any he had worked in previously, one designed to meet the urgent and particular needs of clients under tremendous stress. Adopting a model not used since Hurricane Katrina, he and the SBDC regional directors from Iowa City and Cedar Rapids established a joint Business Recovery Center, with offices in both of the stricken cities. There, small business owners impacted by the floods found, under one roof, representatives not only of the SBDC, but also the SBA, IRS, FEMA, and SCORE (formerly Service Corps of Retired Executives), as well as city, county, and state disaster recovery officials.

The object of the clustered offices, says Heckmann, was simply to deliver the level of service the circumstances demanded: instead of sending stressed-out people across town with a referral, officials with any one of the organizations could walk them over and introduce them to counterparts from other agencies to ensure they got the help they needed immediately, whether with loan applications, counseling, cutting red tape, follow-up appointments, or anything else they needed to speed recovery.

“We got comments from Washington,” Heckmann notes, “that the SBA and SBDC working together in this disaster was the best example of resource partners they had ever seen.”

‘We held their hands’

The Cedar Rapids BRC was in Westdale Mall on the city’s northwest side, where Sprague and his counterparts worked six days a week providing whatever services they could in navigating flood victims through the various disaster recovery programs.

“We reconstructed financial statements for some people,” Sprague notes. “And we held their hands. Some who had their businesses affected were relatively young and robust, but others were in their eighties.”

In focusing on the relatively “dry” business of damaged inventory, capital equipment, balance sheets, and loan applications after a natural disaster, Sprague stresses, it’s easy to lose sight of the gut-wrenchingly human aspects of loss as experienced by small business people, most of whom run family-based enterprises.

While conceding the need for risk management as part of any good business plan, in this regard Jim Heckmann offers an important distinction. “The effort you spend on risk management depends on your exposure and your potential loss,” Heckmann points out. “A Rockwell Collins spends a lot more time, money, and energy on disaster planning than a popcorn shop on Main Street. That’s because they have more resources to throw at something like that—and the risks are bigger.

“Personally, though,” he continues, “it can be a much more serious loss for a small Main Street business than a big corporation that has better access to capital and insurance products and so forth. So disaster planning should be a part of what every business does.”

Falling between the cracks

The particularly cruel nature of the disaster’s effects on small business owners—as well as the shortcomings of government’s capacity to respond—is no better illustrated than in the market for residential rental property. As with many urban flood plains, directly impacted areas in Cedar Rapids were made up largely of small businesses and a disproportionate stock of residential rental units—4,000 in Cedar Rapids alone, according to Sprague.

Yet despite providing housing for thousands of renters hit by the flood, Sprague says, the Federal Emergency Management Agency offered landlords no assistance because it considered them to be “businesses” rather than homeowners. Conversely, the State of Iowa considered them landlords who provided housing rather than “business owners” who might otherwise be eligible for direct state aid in the form of grants under the Jumpstart Iowa Recovery Initiative, which supports only single-family, owner-occupied dwellings.

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“Those were, in many respects, the people who were damaged the worst, and in the worst position to recover,” Sprague says of the owners, who typically held no more than four or five rental units. “The older ones depended on this for retirement income, and many of the younger ones were highly leveraged—any funds they had were tied up in this property that now has no value.”

Whether landlords, retailers such as Nancy Barta, or service providers such as Nancy Lakin and her brothers, the intense personal identification between owner and business is only further complicated by age and family issues. All three of the business owners profiled in this article are approaching traditional retirement age, and the businesses they run are all significantly impacted by family considerations.

Mike Hahn, director of the Cedar Falls-Waterloo SBDC office at the University of Northern Iowa, notes that a recovery process that is already time-consuming due to the inevitable bureaucratic red tape is only further extended when family is factored into the equation. And this, Hahn says, is only after the business owner first deals with the most immediate concerns—food, shelter, health, even survival—of his or her family members in the immediate aftermath of the storm.

“That took some time,” Hahn recalls, reflecting upon his experience with survivors of the Parkersburg tornado. “And once those essentials were taken care of, there were decisions that slowed the process down: needing to talk with family members, father-son relationships, husband-wife relationships, which direction they were going to go as far as rebuilding the business—or if they were even going to rebuild the business.”

After all, Hahn observes, while most of his tornado victims were covered by insurance, few of the businesses devastated by floods had policies to cover their losses. In those cases, he says, the assumption of considerable new debt that would be difficult for any small business owner becomes even more burdensome for those approaching retirement and without a family member willing to take over the business.

No easy answers

Neither Jim Heckmann nor his regional directors or emergency counselors have any easy answers for people facing hard choices. Some businesses will recover pretty much as they were. Some businesses will not survive. Still others will be forced to adapt and change their basic business models.

But that can be a good thing, says Sprague. Many small family-based businesses get stuck in a rut, he notes, and don't keep up with the markets and the competition. Many never adapted to the rise of the Internet, and have watched their customer base steadily erode as consumers sought discounts online. And, whether flooded or not, all are menaced by the storm clouds of a deepening worldwide recession.

“In some respects, the businesses that survive are going to be better because they've been through this crucible of having to make very difficult choices,” Sprague says, and points to Barta as exhibit A.

“It's the frustration of people trying to select an avenue for recovery,” he continues. “What's my new business going to look like?” And, of course, that's been Nancy's focus. She was confronted with, “Do I go back and do things the way they always were done? Or do I sharpen myself and my skills and go after what's going to be most successful and produce the greatest revenue?”

Through the counseling process, Sprague has helped Barta to focus not simply on what she has lost, but more importantly upon her remaining resources—especially those that transcend the burden of an SBA loan that might not make sense for a woman little more than ten years from traditional retirement age, and without a child or other family member willing to assume responsibility for the business.

“The Internet experience is a huge void in her consulting portfolio, but there's a lot Nancy does know,” Sprague stresses. “Often, when faced with a disaster in terms of what they traditionally do, business owners forget that not only is it customers and techniques, but knowledge they've acquired that they think is common but isn't. That, in fact, may be one of their greatest skill sets.

“I said, ‘Nancy, you have as much expertise in your field as practically anyone around.’ So we considered if she should take her knowledge, and then take some of the modern capabilities of distribution in the United States, to become the artisan of choice in the Midwest for the repair of expensive horse tack.

“That’s the definition of expertise,” Sprague concludes. “That’s why all the professors who retire become consultants.”

Anticipating the storms to come

Months out from the storms of 2008, Jim Heckmann reflects upon the past year. He knows that Nancy Barta and other small business owners in eastern Iowa are not the only ones impacted by the floods, nor are they the only ones who must adapt and change in order to survive—let alone thrive—in a radically transforming economy.

The snowfall over northeastern Iowa was, once again, well above average this winter. The ground is saturated, and heavy spring rains could once again send Iowa’s rivers over their banks into the cities and towns. Even if this doesn’t happen, the rising global tide of bad economic news threatens to inundate those small businesses that managed to stagger to their feet after the floods of ’08, as well as their previously unaffected counterparts.

Flexibility is paramount in such times. Diversification is needed as well, and the vision to see what’s coming—and to prepare for it.

“Every disaster has its own unique chronology of need,” Heckmann says, “and we had to figure out what our chronology of need would be. In that sense, we were lucky this was a moving disaster. We watched very closely what was going on in Mason City, so by the time it got down to Burlington, we could tell people ‘at two weeks this is what’s going to happen, at three weeks this is what’s going to happen.’”

That same capacity for foresight—of knowing where the waters were and where they were headed—enabled Heckmann and his staff to anticipate the needs of clients months in advance, both those impacted immediately by the storms and those to follow, including those businesses that depended economically on their less fortunate colleagues, but who wouldn’t feel the pain until months later.

“And that’s exactly what happened.” Heckmann reminds. “We knew these third-tier businesses would start coming into see us the last quarter of 2008, and will probably continue through the first half of this year.”

Whether that foresight will serve the SBDC as well in the future only time—and events—will tell. But just as with his own professional life, Heckmann knows that the SBDC must embrace a service model that demands it change as surely as emerging crises change the lives and businesses of their core clientele.

In the meantime, he and his staff continue an aggressive program of outreach and follow-up to the immediate victims of the storms and to their counterparts “downstream” of the flood, now in time if not in geography.

And, in an age of economic uncertainty for all, they continue to look to the horizon for the gathering clouds.



Iowa
Small Business
Development
Centers



Parkersburg, Iowa June 2008

A SPECIAL REPORT

for
Governor Culver

Greetings,

In the column to the right you will find important information about the services provided by the Iowa Small Business Development Center to your constituents. We are proud to have assisted you and your constituents to enhance those entrepreneurial skills that help grow Iowa's economy.

The fifteen regional small business development centers in Iowa are dedicated to providing hands-on assistance to all kinds of businesses, from start-ups to 500-employee firms to the commercialization of new and promising technologies.

Since its inception in 1981, the Iowa Small Business Development Center has spent 363,000 hours counseling over 62,000 clients. In 2008 alone, we spent 13,217 hours counseling 2,238 clients. These clients added or retained 1,037 jobs and raised over \$76 million in capital for their Iowa businesses. In the past three years, Iowa Small Business Development Center clients have

- Contributed \$15.5 million in new state taxes through increased sales and employment
- Increased firm gross revenues by \$206 million
- Raised \$130 million in new capital
- Grown 4.4 times faster than the average Iowa business

We have been able to help achieve all of this at no cost to the clients we serve thanks to funding from the Iowa legislature and the U.S. Small Business Administration (SBA).

This past year has been challenging for Iowa's small businesses. The opposite page details some of the work that we have been doing to help small businesses overcome the obstacles they face as they recover from the floods and tornadoes of 2008. With your support, we will continue our efforts to help make this large sector of Iowa's economy—small business—a vibrant contributor to Iowa's future.



Jim Heckmann, State Director
Iowa Small Business Development Center



Dear Governor Culver,

Thank you for your support of the Iowa Small Business Development Center. In fiscal 2008, we served your constituents in the following ways:

We visited with 2,238 clients.

We spent 13,217 hours counseling those clients.

The SBDC office serving your district held 332 training sessions attended by 4,376 people.

We responded to 26,220 requests for information.

As a consequence of these services, your constituents had the following results in their businesses:

They added or retained 1,035 jobs.

They raised \$76,136,290 in new capital.

Iowa Small Business Development Center services are an outstanding value, having a benefit-to-cost ratio of \$5.41 for every tax dollar spent on counseling services. In addition, our clients raised \$10.98 in financing for every tax dollar spent on the program. Our free counseling services, together with our education programs and community outreach, provide new and existing businesses the insight and skills necessary to succeed in this highly competitive—and rapidly evolving—economy.

With your help, the Iowa Small Business Development Center will be able to continue providing these essential business services to your constituents and to all Iowa entrepreneurs.

Thank you for your support.



"The SBDC is also doing an exemplary job. Considering their limited staff, that statement understates how well they are doing. The quality of their work is A+ and then some. In short, our partners are demonstrating what should be done. The comments I heard firsthand from business owners with whom I spoke today were effusive with praise and thanks. To a person they said the service is far beyond what they expected and that the help and counsel was invaluable."

— Alfred E. Judd, Director
Field Operations Center—West
Office of Disaster Assistance
U.S. Small Business Administration

(Remarks made by Mr. Judd following his visit to the Business Recovery Center in Cedar Rapids—July 2, 2008)



The **Iowa Small Business Development Center** is a resource partner of the U.S. Small Business Administration, funded jointly by the SBA and the Iowa legislature. The program commenced in 1981 with Iowa State University as its host sponsor. Today, there are fifteen regional centers hosted by the three Regent universities and ten community colleges. The Iowa Small Business Development Center is the leading provider of technical assistance to small businesses in the state of Iowa.

Like the rest of Iowa, we could hardly anticipate that the tornado that struck Parkersburg on May 25 would be only the first of a series of natural disasters that would test the mettle of Iowans and of the Iowa Small Business Development Center. Our center directors from across the state pulled together to help with the relief efforts. By the end of September, in addition to our regular services, we had assisted over 2000 businesses and individuals with disaster recovery.

It rapidly became clear that the demands made—and to be made—upon Iowa Small Business Development Center services on account of these disasters would exhaust our resources. The SBA generously increased Iowa's allocation of federal funds by \$458,000 so that we could immediately hire additional counselors to assist businesses with disaster recovery. Out of these additional funds, the Iowa Small Business Development Center dedicated \$175,000 to a new Cedar Rapids-Iowa City Corridor Business Recovery Center specifically for outreach and counseling for disaster-affected businesses in that area. The balance was allocated to other centers in the state where disaster recovery counseling services were most needed. While this additional money from the SBA was most welcome and launched our targeted recovery efforts, it will not be enough to finish the job.

In the ninety counties recognized as disaster areas by the SBA, there are over 123,000 small businesses employing more than 1.2 million people. The impact of the tornadoes and floods of 2008 will resonate through the state's economy for several years. Many businesses that did not suffer physical damage are just beginning to recognize that they, too, have suffered economically from these disasters and are now seeking help from the Iowa Small Business Development Center. As we move forward, the Iowa Small Business Development Center will use its expert technical assistance skills to ensure that Iowa small business not only survives, but thrives.

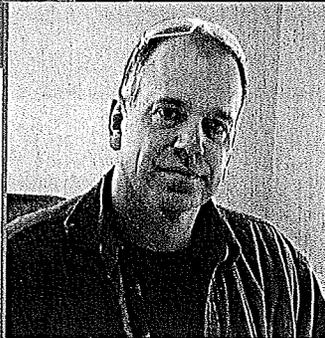
In addition to our disaster recovery efforts, the Iowa Small Business Development Center continues to provide training, counseling, and assistance with technology commercialization through its statewide network of centers. This past year we co-sponsored the SBA's pilot program, Emerging 200 Initiative, which provided intensive training in marketing and finance to inner-city business owners in Des Moines. In the spring of 2009, we will introduce, in partnership with the Iowa Farm Bureau Federation, our newly revamped curriculum on business succession and transition, which focuses on strategies for selling and buying businesses and transitioning Iowa businesses to the next generation of owners.

No organization in Iowa does a better job of providing hands-on support to small businesses than the Iowa Small Business Development Center. With support from you, the Iowa Small Business Development Center can continue its important work preserving and promoting entrepreneurial success in Iowa.



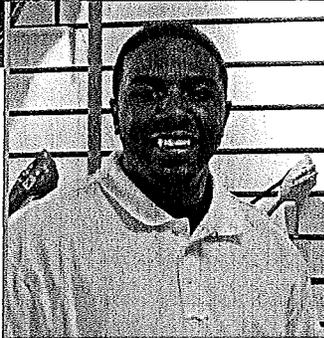
"The Small Business Development Center is an invaluable resource for small business owners. They really listened to me speak about my goals and the questions I had. They provided support, advice, and focus each step of the way. I will always be grateful for the assistance and programs they offer to entrepreneurs."

—Joan Burns, Owner
Cart by Cart, LLC
Iowa City, Iowa



"The Small Business Development Center helped me to put together a very realistic plan to start our business. From real estate to financials to overhead cost to future growth of the business, after going through this with them, I couldn't imagine not starting a business in this manner. I would recommend your help to anyone considering starting a business."

—Brian Buresh, Vice President/COO
Buresh Architectural Millworks
Cedar Rapids, Iowa



"The Small Business Development Center has been very, very helpful. They worked closely with me to determine the kind of help and information I needed. The center director was extremely good to work with—always there when I had a question."

—Glen Humes, Co-owner
P & G's Variety Shop
Davenport, Iowa



"In the beginning stages of opening our business, we had many questions. The Small Business Development Center was a great help. The classes and information they offered made sure we were on the right track."

—Rachel Hester, Owner
Merle Norman Studio and Spa
Council Bluffs, Iowa

IOWA SMALL BUSINESS DEVELOPMENT CENTER NETWORK

Your nearest Small Business Development Center is located at:

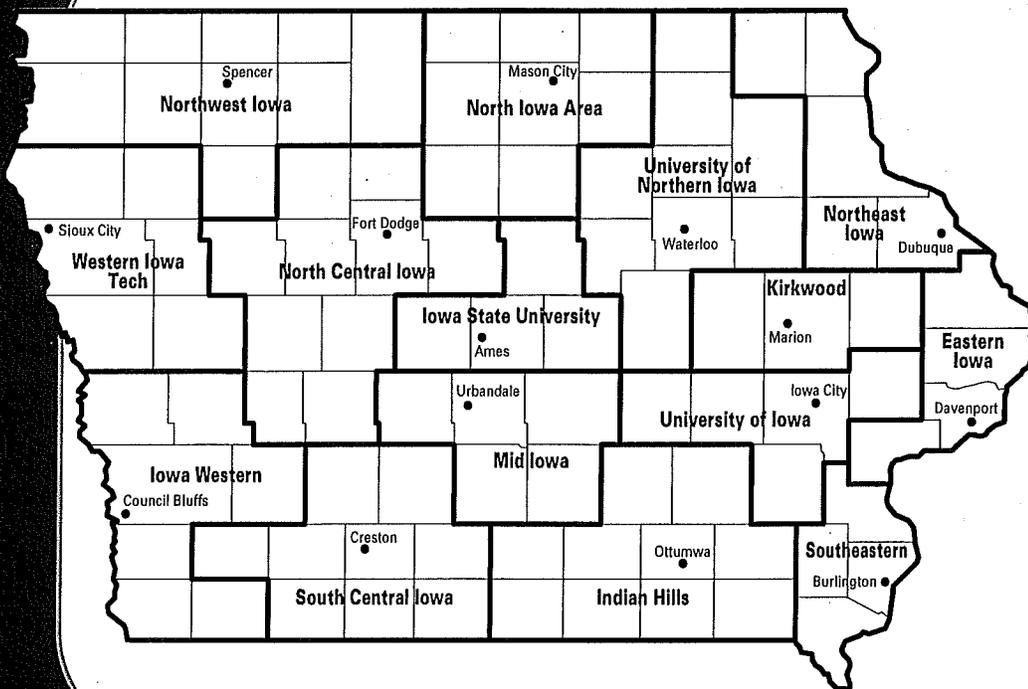
Iowa State University
10861 Douglas Ave
Ste B
Urbandale, IA 50322

Phone: 515-331-8954
Fax: 515-252-7828

The center director there is:
Sherry Shafer



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IOWA STATE UNIVERSITY

Iowa

Iowa's 259,671 small businesses provide economic opportunities to diverse groups of people and bring innovative products and services to the marketplace.* This profile from the Office of Advocacy compiles the latest facts and figures on the status and role of small business in the state. (Note that a small business is defined here as one with fewer than 500 employees.)

- Iowa had 64,129 small employers in 2006, representing 97.4% of the state's employers and 51.6% of its private-sector employment.
- The health care and social assistance industry was the state's largest small business employer in 2006; manufacturing was the largest overall employer (Table 1).
- Small businesses created 61.9% of the state's net new jobs from 2004 to 2005 (Table 2).
- Iowa's real gross state product increased by 1.7% in 2007. By comparison, growth in the Plains region was 2.0% and the United States, 2.0%. (Source: U.S. Dept. of Commerce; Bureau of Economic Analysis)

For Further Information

- Data on all the states and territories is available at www.sba.gov/advo/research/profiles.
- For other small business data and analysis, visit www.sba.gov/advo/research, call (202) 205-6533, or email advocacy@sba.gov.
- To learn about state efforts to adopt or implement regulatory flexibility, visit www.sba.gov/advo/laws/law_modeleg.html.
- Visit <http://web.sba.gov/list> to subscribe to listservs for Advocacy's newsletter, press releases, regulatory news and research reports.
- Visit www.sba.gov/advo/rsslibrary.html for RSS feeds.

* The number of small businesses is the number of small employers plus the number of nonemployers in 2006.

Iowa Small Business Facts			
	Level in 2006†	% Change from 2005 2000	
Number of Businesses			
Small employers (<500 employees)	64,129	-0.7	0.4
Large employers (500+ employees)	1,700	3.6	1.8
Nonemployers [*]	195,542	1.4	14.0
	Level in 2002†	% Change from 1997	
Business Owner Demographics			
Male-owned	127,758	14.1	
Woman-owned	63,821	10.9	
Equally male/female-owned	36,302	-31.0	
African American-owned	1,609	18.9	
Asian-owned	1,786	4.9	
Hispanic-owned	1,536	14.4	
Native American/Alaskan-owned	640	NA	
Hawaiian and Pacific Islander-owned	17	-55.3	
	Level in 2007†	% Change from 2006 2000	
Workforce (Thousands) /Unemployment (%)			
Private-sector employment	1,267	0.8	2.6
Government employment	250	1.1	2.7
Self-employed (incorp. & uninc.)	193	-7.6	2.9
Female self-employment	66	-2.2	9.0
Male self-employment	127	-10.3	0.0
Minority self-employment	4	-10.7	821
Veteran self-employment	25	-13.2	-25.9
Unemployment rate (%)	3.8	-	1.0
Business Turnover			
Quarterly establishment openings	12,638	-1.6	-8.8
Quarterly establishment closings	12,454	2.5	-15.1
Business bankruptcies	243	16.8	-72.8
Income and Finance			
Proprietors' income (\$billion)	10.1	20.4	53.5
Bank branches	1,630	2.0	9.7
No. of bus. loans under \$100,000	87,758	3.9	NA
Total value of business loans under \$100,000 (\$million)	2,629	5.4	NA
Sources: U.S. Dept. of Commerce, Bureau of the Census and Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics; Administrative Office of the U.S. Courts; Federal Deposit Insurance Corporation, Summary of Deposits; and U.S. Small Business Administration, Office of Advocacy (www.sba.gov/advo/research/lending.html).			
† Latest available data; certain figures are economywide.			

Table 1. Firms and Employment in Iowa by Industry and Firm Size, 2006
(Non-farm, thousands)

Industry	Nonemployer firms	Employer firms			Employment		
		Total	1-19	1-499	Total	1-19	1-499
			Employees	Employees		Employees	Employees
Total	195.5	65.8	56.4	64.1	1,295.3	237.1	668.2
Forestry, etc. and agriculture support	3.9	0.2	0.2	0.2	1.5	(D)	(D)
Mining	0.0	0.1	0.0	0.1	2.0	(D)	(D)
Utilities	0.2	0.1	0.0	0.1	7.9	(D)	1.8
Construction	27.3	8.9	8.2	8.9	64.6	29.9	60.4
Manufacturing	2.8	3.3	2.1	3.0	227.5	12.0	72.7
Wholesale trade	3.2	3.7	2.6	3.4	64.5	12.7	46.0
Retail trade	24.1	9.0	7.7	8.7	181.4	38.0	78.1
Transportation and warehousing	10.9	3.3	2.9	3.2	52.6	9.4	23.3
Information	2.2	0.9	0.7	0.8	34.7	3.6	10.1
Finance and insurance	7.8	3.7	3.2	3.6	93.0	10.9	33.9
Real estate and rental and leasing	18.8	2.4	2.2	2.3	14.2	5.5	10.4
Professional, scientific, and technical svcs.	18.1	5.8	5.3	5.7	43.1	18.8	33.9
Management of companies and enterprises	--	0.4	0.0	0.2	17.0	0.1	4.4
Admin., support, waste mgt., remed. svcs.	11.6	3.0	2.5	2.9	72.0	9.3	27.2
Educational services	3.5	0.6	0.5	0.6	34.9	2.2	12.0
Health care and social assistance	21.7	5.6	4.4	5.4	194.6	21.8	104.5
Arts, entertainment, and recreation	7.6	1.4	1.2	1.4	22.7	4.6	14.6
Accommodation and food services	2.6	5.6	4.3	5.5	111.8	24.7	82.2
Other services (except public admin.)	29.3	8.8	8.2	8.7	55.1	32.4	49.9
Unclassified	--	0.2	0.2	0.2	0.2	(D)	0.2

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses. (See www.sba.gov/advo/research/data.html for data from other years, and for starts, closures, job creation and destruction by industry and by size category.)

(D) Data suppressed to protect the confidentiality of individual firms.

Table 2: Net Job Change by Firm Size, 2002–2005 (Non-farm)

	Total	Employment size of firm						
		1-4	5-9	10-19	20-99	100-499	<500	500+
2004 - 2005	19,114	8,196	721	-556	-1,566	5,045	11,840	7,274
2003 - 2004	9,232	8,209	3,420	1,378	1,050	1,068	15,125	-5,893
2002 - 2003	2,232	8,523	1,753	190	1,237	-1,818	9,885	-7,653

Source: U.S. Dept. of Commerce, Bureau of the Census. (For more detailed data see www.sba.gov/advo/research/data.html.)

Table 3: Establishment and Employment Turnover by Quarter, 2007 (Non-farm, thousands)

	Establishments				Employment			
	Openings	Expansions	Contractions	Closings	Openings	Expansions	Contractions	Closings
Quarter 4	3.3	18.4	18.4	3.0	12.2	63.9	62.3	10.1
Quarter 3	3.0	18.1	18.9	2.8	11.2	60.5	65.9	9.0
Quarter 2	3.2	18.6	18.5	3.3	12.4	67.4	60.7	11.5
Quarter 1	3.2	18.3	18.8	3.3	11.1	61.5	62.5	11.0

Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Business Employment Dynamics. (For more detailed data see www.bls.gov/bdm/home.htm.)

Note: The establishment turnover figures contain all firm sizes, but Census data from 2005 showed that 87 percent of establishment births and deaths were in firms with fewer than 500 employees.

Kauffman Foundation-Funded U.S. Census Bureau Data Highlight Importance of Business Startups to Job Creation in the U.S.

Business Dynamic Statistics Also Indicate That Business Startups Remain Robust Even in the Most Severe Recession

Jan. 14, 2009

KANSAS CITY, MO - In the midst of record unemployment, a new Kauffman Foundation-funded U.S. Census Bureau study reports that startup companies are a major contributor to job creation. The Business Dynamic Statistics (BDS) also indicate that while business startups decline slightly in most of the cyclical downturns, startups remain robust even in the most severe recession over the sample period (in the early 1980s).

"Job growth is essential for our economy to rebound, and this study shows that new firms have historically been an important source of new jobs in the United States," said Robert E. Litan, vice president of Research and Policy at the Kauffman Foundation, which funded the BDS. "Our research into the early years of business formation consistently shows how vital new firms are to our economy, and this data should give policymakers and budding entrepreneurs alike great hope for how we can solve our current crisis -- create and grow jobs through entrepreneurship."

The BDS data show that employment accounted for by U.S. private-sector business startups over the 1980-2005 period was about 3 percent per year. While still a small fraction of overall employment, these jobs from startups reflect new jobs, which is a large percentage compared to the average annual net employment growth of the U.S. private sector for the same period (about 1.8 percent). This pattern implies that, if you exclude the jobs from new firms, the U.S. net employment growth rate is negative on average.

Micro firms (firms with one to four employees) accounted for a large percentage of new jobs in any given year -- about 20 percent on average. Although substantially larger startup firms (those with 250 to 499 employees) created a considerably smaller percentage of jobs in any given year

-- about 1.3 percent of employment in this firm-size class -- their numbers still are substantial relative to net growth.

Although the overall business startup rate in the BDS does not exhibit much of a trend, the data do reveal a declining trend in the micro-firm business startup rate. This may reflect compositional changes in sectors such as retail trade, where there is ample evidence of substantial shifts away from small, single-establishment firms to large, national firms.

This report is the first of three study briefs to be released that highlight BDS data; the next reports will be released in January and February 2009. BDS includes measures of business startups, establishment openings and closings, and establishment expansions and contractions in both the number of establishments and the number of jobs. The BDS data provide these new statistics on an annual basis for 1977-2005, with classifications for the total U.S. private sector by broad industrial sector, firm size, firm age and state. Further information about the BDS can be found at http://www.ces.census.gov/index.php/bds/bds_home.